

# HOGAN & HARTSON

L.L.P.

COLUMBIA SQUARE  
555 THIRTEENTH STREET, NW  
WASHINGTON, D.C. 20004-1109  
TEL. (202) 637-5600  
FAX. (202) 637-5910

November 13, 2001

BY ELECTRONIC MAIL  
to FR0001@ustr.gov

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 Seventeenth Street, N.W.  
Washington, D.C. 20508

**Re: Steel 201 - Relief Recommendations Under Section 203  
- Exclusion Requests for Certain Carbon or Alloy Steel  
Flanges**

Dear Ms. Blue,

In accordance with the notice published in the Federal Register on October 26, 66 Fed. Reg. 54321 (2001), we hereby submit a request to exclude certain carbon or alloy steel flange products from import relief under Section 203 on behalf of the Association of European Quality Flange Producers, consisting of Flanschenwerk Bebitz GmbH, Friedrich Geldbach GmbH, Metalfar Prodotti Industriali S.p.A., MGI S.A., Officine Ambrogio Melesi & Cie., Ulma Forja S.A., Wilhelm Geldbach GmbH, and Vilmar S.A., ("European Flange Producers"). This request applies to two subcategories of carbon or alloy steel flanges:

- Carbon Or Alloy Steel Flanges For The Approved Market
- Large Diameter Carbon Or Alloy Steel Flanges

**(a) Designation of the Product under a recognized standard or the commercial name for the product and the HTS number under which the product enters the United States:**

This exclusion request pertains to two subcategories of carbon or alloy steel flanges that are currently included within ITC Product Group 22 ("Carbon or alloy steel flanges, fittings, and tool joints"):

- (1) **Carbon or Alloy Steel Flanges for the Approved Market.** This product consists of carbon or alloy steel flanges produced predominantly for use in the oil and gas and chemicals industries and for which the manufacturer of the flange is included on designated "approved/accepted manufacturer lists" ("AML's") such as those compiled by ExxonMobil, Shell, Dow Chemical, and other major multinational oil and gas and chemicals manufacturers. Such products are classified under HTSUS 7307.91.5010, 7307.91.5030, 7307.91.5050, 7307.91.5070.
- (2) **Large Diameter Carbon or Alloy Steel Flanges.** These products consist of carbon or alloy steel flanges with inside diameters of 360 mm or more and are classified under HTSUS 7307.91.5050 (carbon steel) and 7307.91.5070 (alloy steel).

**(b) Description of the product based on physical characteristics:**

Flanges are used to connect pipe sections at points at which the ability to connect, disconnect and reconnect the pipe sections is of greatest importance. Flanges are used in a variety of applications, including in the oil and gas industry, the chemical industry, other manufacturing facilities and in the piping systems of buildings. Flanges are made mainly from billets by forging rough steel forms known as "forgings.". Flanges come in many shapes - e.g., weld necks lap joints, slip-ons, blinds, threaded, and socket welds - each of which is designed for a particular pipe connection and performance specification.

The following provides further physical descriptions of the particular carbon or alloy steel flange products for which exclusion has been requested.

- (1) **Carbon or alloy steel flanges for the Approved Market.** As noted, Carbon or alloy steel flanges for the Approved Market consist of carbon or alloy steel flanges produced by manufacturers that are listed on AML's. Such "approved market" flanges are sold for use in the oil and gas and chemical industry markets and are distinguishable from "commercial" market flanges by virtue of a number of physical and chemical characteristics - pertaining, for example, to tighter tolerances for carbon content and steel cleanliness - particular to their specialized

uses. Only products included on AML's can be sold for use in the approved market.

- (2) **Large Diameter Carbon or alloy steel flanges.** Large Diameter Carbon or alloy steel flanges are distinguishable from other carbon or alloy steel flanges as having inside diameters of 360 mm or more. Such flanges are used in a variety of highly specialized applications, particularly for large-scale pipeline, refinery and gas production installations and, accordingly, are often produced to satisfy customized specifications and tolerances.

(c) **Basis for requesting an exclusion:**

The European Flange Producers submit that the two products at issue should be excluded from any import relief that may be imposed by the President for two reasons: (1) there is inadequate domestic supply of these products; and (2) there is insufficient evidence that these specific products have contributed to the injury found by the ITC.

**A. Inadequate Domestic Supply**

Because the ITC failed to collect information on a product-specific level, it is not possible to specifically quantify domestic capacity and domestic demand for the two products at issue. Nevertheless, evidence collected by the Commission supports the conclusion that domestic supply is inadequate to meet demand for these products.

**Carbon or alloy steel flanges for the Approved Market:** These flanges are sold in the oil and gas and chemical industry markets. Major consumers in these end-use sectors such as ExxonMobil, Shell, and Dow Chemical have developed approved manufacturer lists which include a limited number of qualifying U.S. and foreign manufacturers that meet the stringent qualifications necessary to supply carbon or alloy steel flanges for these purposes.

Imports of approved market flanges have played a stable and complementary role in these markets. Indeed, the major European suppliers have had a pivotal role in the development of the approved market sector and have been part of this sector since its

inception. Limiting or excluding imports of approved market flanges will seriously disrupt the supply of these critical components and will inevitably result in severe hardship and economic distress to downstream consumers in the oil and gas industry. There simply is not enough production capacity represented among the domestic producers that qualify to supply carbon or alloy steel flanges to this sector of the market to make up for the loss or significant curtailment of import supplies.

**Large Diameter Carbon or alloy steel flanges:** Large diameter carbon or alloy steel flanges should also be excluded from any remedies imposed by the President, as there is likewise inadequate domestic capacity to efficiently produce the full range of these products required by consuming U.S. industries. Imposing a remedy on these goods therefore would not provide significant benefits to domestic producers, yet at the same time would impose substantial costs and economic hardship on downstream U.S. consumers of these goods.

**B. Insufficient Evidence That Imports of These Products Have Injured Domestic Producers**

The second basis for exclusion of these products is the patent insufficiency of evidence that these particular products have in any significant sense contributed to the serious injury found by the Commission.

In the ITC's safeguards investigation of Steel, carbon or alloy steel flanges of all kinds were inappropriately grouped together with carbon or alloy steel fittings of all kinds in a single aggregate Product Group 22 together with tool joints a device used for oil and gas exploration and entirely unrelated to piping systems. Nevertheless, most parties to the ITC's investigation, including representatives of the domestic carbon steel flange producers participating in the injury phase, were in agreement that carbon or alloy steel flanges and carbon or alloy steel fittings have entirely different physical characteristics and end uses, are produced for the most part in entirely different facilities, and are manufactured from different inputs (flanges from bars and billets, fittings from pipe). Accordingly, flanges and fittings constitute separate like products and

should have been considered separately by the ITC for purposes of investigating injury and, as necessary, recommending remedy.

Unfortunately, by grouping carbon or alloy steel flanges with carbon or alloy steel fittings and tool joints, the Commission was unable to evaluate information concerning carbon or alloy steel flanges alone. Finished and unfinished carbon or alloy steel flanges accounted for less than 18 percent of the value of total Product Group 22 imports in 2000. Moreover, comparative pricing data was collected only for butt-weld pipe fittings. No pricing data was collected for carbon or alloy steel flanges. It is our firm conviction that the Commission's affirmative serious injury determination was driven in large measure by consideration of data, particularly pricing data, pertaining to carbon or alloy steel fittings, not carbon or alloy steel flanges. Indeed carbon and alloy steel flanges have never before been the subject of unfair trade investigations.

There is, in short, no credible independent evidence on the record of the Commission's investigation that imports of carbon or alloy steel flanges have caused serious injury to domestic industry. Accordingly, there is no proper basis for determining that imposing restrictions on imports of carbon or alloy steel flanges will in any way address serious injury or otherwise assist domestic flange producers in making a positive adjustment to import competition.

While the Commission cannot now revisit its injury determination, USTR can properly distinguish actions taken to remedy injuries caused by imports of carbon or alloy steel fittings from those that would be improperly applied to imports of carbon or alloy steel flanges. An exclusion applying to all carbon or alloy steel flanges (i.e., all imports classified under HTSUS 7307.91.50) would clearly be appropriate under the circumstances. An even stronger case can be made for application of an exclusion to approved market flanges, where demand for the products is so closely identified with the oil and gas sector. Indeed, imposing a remedy on these products would also be inconsistent with the ITC's companion negative finding of serious injury for oil country tubular goods ("OCTG"), which also are energy sector piping-related products.

For all of these reasons – shortage of supply, the disruption and economic hardship that would be inflicted on downstream industries and other

domestic producers, and the absence of credible evidence that there is even a need for a remedy with respect to these products, the European Flange Producers respectfully urge USTR to exclude these products from the scope of any relief granted by the President.

**(d) Names and locations of any producers, in the United States and in foreign countries, of the product:**

Based upon information available to the European Flange Producers, U.S. and foreign manufacturers of the products for which exclusion has been requested include the following:

(1) Carbon or Alloy Steel Flanges for the Approved Market <sup>1/</sup>

<u>U.S.</u>	<u>Non-U.S.</u>
Boltex, Inc.	Bebitz (Germany)
Coffer	Echjay Ind. (India)
National Flange	Galperti (Italy)
Texas Metal Works	Geldbach, Friedrich
(Germany)	
Western Forge	Geldbach, Wilhelm (Germany)
	Kofco (Korea)
	Metalfar (Italy)
	MGI (France)
	ULMA Forja (Spain)

---

<sup>1/</sup> Multiple approvals by oil companies, petrochemical, and chemical industries..

(2) Large Diameter Flanges

<u>U.S.</u>	<u>Non-U.S.</u>
Ameriforge	(Same as above)
Boltex	
Weldbend	
National Flange	
Coffer Corp.	
Kerkau	
General Flange	

**(e) Total U.S. consumption, if any, by quantity and value for each year from 1996 to 2000, and projected annual consumption for each year from 2001 to 2005, with an explanation of the basis for the projection:**

As foreign producers, the European Flange Producers are not in possession of this information. However, the quantity consumed is relatively small.

**(f) Total U.S. production of the product for each year from 1996 to 2000, if any:**

As foreign producers, European Flange Producers are not in possession of this information. However, the quantities produced in the United States are believed to be small.

**(g) The identity of any U.S.-produced substitute for the product, total U.S.-production of the substitute for each year from 1996 to 2000, and the names of any U.S. producers of the substitute:**

There are no known substitutes for these products.

\*

\*

For the reasons discussed above, the European Quality Flange Producers respectfully request that the USTR recommends that the President exclude carbon or alloy steel flanges for the approved market and large diameter carbon or alloy steel flanges from the scope of any relief to be

Office of the U.S. Trade Representative  
November 13, 2001  
Page 8

provided pursuant to Section 203 in the on-going steel safeguards investigation.

Should you have any further questions or concerns regarding this matter, please do not hesitate to contact the undersigned.

Respectfully Submitted,

*/s/ Lewis E. Leibowitz*

-----  
Lewis E. Leibowitz  
Craig A. Lewis  
Jeremy B. Zucker

*Counsel for the Association of European  
Quality Flange Producers*